



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE March 17, 2005 Contact: Andy Nielsen 515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Page County Landfill Association.

The Association had total revenues of \$627,194 for the year ended June 30, 2004, a less than one percent decrease from the prior year. Revenues included gate fees of \$579,032 and interest income of \$35,363.

Expenses totaled \$599,345 for the year ended June 30, 2004, an 8% increase from the prior year, and included \$150,127 for employee salaries and benefits, \$103,262 for closure and postclosure care and \$110,698 for depreciation.

A copy of the audit report is available for review in the Office of Auditor of State and the Page County Landfill Association.

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PAGE COUNTY LANDFILL ASSOCIATION
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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Page County Landfill Association

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Frank Snyder	Chairperson	City of Clarinda
Ray Bryant	Vice Chairperson	City of Shenandoah
Robert Anderson	Member	Board of Supervisors
Robert Wilson	Member	City of Braddyville
Bob Carroll	Member	City of College Springs
Lee Roy Heerman	Member	City of Coin
Wendy Brownfield	Member	City of Blanchard
James Long	Member	City of Essex
Leon Larsen	Member	City of Yorktown
Sam Woodruff	Member	City of Shambaugh
Gary Pollman	Member	City of Northboro
Ray Wills	Member	City of Hepburn
Myron Maguitz	Manager	
Jean Minor	Secretary	

Page County Landfill Association



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Independent Auditor's Report

To the Members of the Page County Landfill Association:

We have audited the accompanying financial statements of the Page County Landfill Association as of and for the year ended June 30, 2004, which collectively comprise the Association's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Page County Landfill Association at June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 9, during the year ended June 30, 2004, the Page County Landfill Association adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2004 on our consideration of the Page County Landfill Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 7 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 30, 2004

Page County Landfill Association

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Page County Landfill Association provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ The Association's operating revenues increased .4%, or \$2,518, from fiscal 2003 to fiscal 2004. Gate fees decreased and other revenues increased.
- ◆ The Association's operating expenses increased 8%, or \$45,218, from fiscal 2003 to 2004.
- ◆ The Association's net assets increased 1.7%, or \$27,849, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The Page County Landfill Association is a 28E organization and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Page County Landfill Association's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Association's financial activities.

The Statement of Net Assets presents information on the Association's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Association's operating revenues and expenses, non-operating revenues and expenses and whether the Association's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Association's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Association financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE ASSOCIATION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Association's financial position. The Association's net assets for fiscal 2004 totaled \$1,700,197. This compares to \$1,672,348 for fiscal 2003. A summary of the Association's net assets is presented below.

Net Assets		
	June 30,	
	2004	2003
Current assets	\$ 627,301	662,595
Restricted cash and investments	1,213,303	1,092,592
Capital assets at cost, less accumulated depreciation	915,701	769,988
Total assets	2,756,305	2,525,175
Current liabilities	132,350	32,331
Noncurrent liabilities	923,758	820,496
Total liabilities	1,056,108	852,827
Net assets:		
Invested in capital assets	915,701	769,988
Restricted	289,545	272,096
Unrestricted	494,951	630,264
Total net assets	\$ 1,700,197	1,672,348

The portion of the Association's net assets that is restricted will be used for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Association to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (e.g. land and improvements, buildings and equipment) are resources allocated to capital assets. The remaining net assets are the unrestricted net assets that can be used to meet the Association's obligations and needs as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste. Operating expenses are expenses paid to operate the landfill. Non-operating revenues are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2004 and 2003 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2004	2003
Operating revenues:		
Gate fees	\$ 579,032	579,652
Other operating revenues	12,799	9,661
Total operating revenues	<u>591,831</u>	<u>589,313</u>
Operating expenses:		
Salaries and employee benefits	150,127	138,959
Machinery maintenance, labor and parts	11,410	13,444
Oil and gas	16,874	13,895
Long range planning and engineering	7,663	31,503
Site maintenance	8,964	10,117
Site utilities	8,110	6,914
Office supplies and operations	2,833	1,522
Training and travel	1,583	1,386
Legal and accounting	3,038	3,849
Insurance	35,611	27,152
Closure and postclosure care	103,262	52,524
Planning and recycling	85,790	87,925
Iowa Department of Natural Resources tonnage fees	18,982	20,100
Depreciation	110,698	104,046
Sales tax	3,817	2,536
Leachate treatment, collection and maintenance	28,262	31,281
Miscellaneous	2,321	6,974
Total operating expenses	<u>599,345</u>	<u>554,127</u>
Operating income (loss)	(7,514)	35,186
Non-operating revenues:		
Interest income	<u>35,363</u>	<u>40,683</u>
Increase in net assets	27,849	75,869
Net assets beginning of year	<u>1,672,348</u>	<u>1,596,479</u>
Net assets end of year	<u>\$ 1,700,197</u>	<u>1,672,348</u>

In fiscal 2004, operating revenues increased by \$2,518, or .4%, a result of additional fees. Operating expenses increased by \$45,218, or 8%. The increase was primarily a result of an increase in estimated costs for closure and postclosure care of \$50,738.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes the purchase of capital assets. Cash provided by investing activities includes proceeds from the redemption of certificates of deposit and interest income, reduced by the purchase of certificates of deposit.

CAPITAL ASSETS

At June 30, 2004, the Association had \$915,701 invested in capital assets, net of accumulated depreciation of \$700,497. The increase was primarily the result of \$162,320 spent for Subtitle D expansion of the facility. Depreciation expense totaled \$110,698 for fiscal 2004. More detailed information about the Association's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2004, the Association had no long-term debt outstanding.

ECONOMIC FACTORS

The Page County Landfill Association continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Association officials. Some of the realities that may potentially become challenges for the Association to meet are:

- ◆ Facilities at the Association require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- ◆ The Iowa Department of Natural Resources' decision on EPA Subtitle D liner requirements.

The Association anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Association's ability to react to unknown issues.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Page County Landfill Association, 2032 N Avenue, Clarinda, Iowa 51632.

Basic Financial Statements

Page County Landfill Association

Statement of Net Assets

June 30, 2004

Assets

Current assets:

Cash	\$ 368,273
Investments	172,531
Receivables:	
Accounts (net of allowance for doubtful accounts of \$462)	30,593
Accrued interest	9,001
Due from other governments	23,446
Prepaid insurance	23,457
Total current assets	<u>627,301</u>

Noncurrent assets:

Restricted cash	6,876
Restricted investments	1,206,427
Capital assets, net of accumulated depreciation	915,701
Total noncurrent assets	<u>2,129,004</u>

Total assets2,756,305**Liabilities**

Current liabilities:

Accounts payable	106,233
Salaries and benefits payable	7,132
Compensated absences	11,652
Due to other governments	7,333
Total current liabilities	<u>132,350</u>

Noncurrent liabilities:

Landfill closure and postclosure care	923,758
Total liabilities	<u>1,056,108</u>

Net assets

Invested in capital assets	915,701
Restricted for:	
Tonnage fees retained	6,876
Closure and postclosure care	282,669
Unrestricted	494,951

Total net assets\$ 1,700,197

See notes to financial statements.

Page County Landfill Association

Statement of Revenues, Expenses and
Changes in Net Assets

Year ended June 30, 2004

Operating revenues:	
Gate fees	\$ 579,032
Other operating revenues	12,799
Total operating revenues	<u>591,831</u>
Operating expenses:	
Salaries and employee benefits	150,127
Machinery maintenance, labor and parts	11,410
Oil and gas	16,874
Long range planning and engineering	7,663
Site maintenance	8,964
Site utilities	8,110
Office supplies and operations	2,833
Training and travel	1,583
Legal and accounting	3,038
Insurance	35,611
Closure and postclosure care	103,262
Planning and recycling	85,790
Iowa Department of Natural Resources tonnage fees	18,982
Depreciation	110,698
Sales tax	3,817
Leachate treatment, collection and maintenance	28,262
Miscellaneous	2,321
Total operating expenses	<u>599,345</u>
Operating loss	(7,514)
Non-operating revenues:	
Interest income	<u>35,363</u>
Change in net assets	27,849
Net assets beginning of year	<u>1,672,348</u>
Net assets end of year	<u>\$ 1,700,197</u>

See notes to financial statements.

Page County Landfill Association

Statement of Cash Flows

Year ended June 30, 2004

Cash flows from operating activities:	
Cash received from gate fees	\$ 573,978
Cash received from other operating receipts	12,799
Cash paid to suppliers for goods and services	(231,984)
Cash paid to employees for services	(148,379)
Net cash provided by operating activities	<u>206,414</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(175,767)</u>
Cash flows from investing activities:	
Proceeds from redemption of certificates of deposit	852,620
Purchase of certificates of deposit	(726,376)
Interest received	36,038
Net cash provided by investing activities	<u>162,282</u>
Net increase in cash and cash equivalents	192,929
Cash and cash equivalents beginning of year	<u>182,220</u>
Cash and cash equivalents end of year (includes restricted funds of \$6,876)	<u>\$ 375,149</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (7,514)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	110,698
Closure and postclosure care	103,262
Changes in assets and liabilities:	
(Increase) in receivables	(5,054)
(Increase) in prepaid insurance	(14,353)
Increase in accounts payable	18,345
(Decrease) in salaries and benefits payable	(1,673)
Increase in compensated absences	3,421
(Decrease) in due to other governments	(718)
Total adjustments	<u>213,928</u>
Net cash provided by operating activities	<u>\$ 206,414</u>
See notes to financial statements.	

Page County Landfill Association

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The Page County Landfill Association was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Association is to operate the sanitary landfill in Page County for use by all residents of the County.

The Association is composed of one representative from each of the eleven member cities and one representative from Page County. The member cities are: Clarinda, College Springs, Northboro, Coin, Yorktown, Shambaugh, Braddyville, Blanchard, Shenandoah, Essex and Hepburn. The representative of a city is appointed by the political subdivision to be represented. Each member shall be entitled to one vote for each 1,500 people or fraction thereof as determined by the most recent general Federal Census.

The Association's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Page County Landfill Association has included all funds, organizations, agencies, boards, commissions and authorities. The Association has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Association. The Page County Landfill Association has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Association are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Association applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and Cash Equivalents – The Association considers all short-term cash investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash equivalents of the Association include money market accounts. Cash investments not meeting the definition of cash equivalents at June 30, 2004 include certificates of deposit of \$1,378,958.

Restricted Assets – Funds set aside for payment of recycling and closure and postclosure care are restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Association as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and improvements	\$ 25,000
Equipment	500

Capital assets of the Association are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	10-15
Equipment	5-10

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2004.

Compensated Absences – Association employees accumulate a limited amount of earned but unused vacation, sick leave and comp time hours for subsequent use or for payment upon termination, death or retirement. The Association's liability for compensated absences has been computed based on rates of pay in effect at June 30, 2004.

(2) Cash and Investments

The Association's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Association is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Association; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Association had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

At June 30, 2004, the Association had cash on hand of \$100 and deposits as follows:

Certificates of deposit	\$ 1,378,958
Checking account	1,485
Savings accounts	<u>373,564</u>
Total	<u>\$ 1,754,007</u>

(3) Pension and Retirement Benefits

The Association contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Association is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Association's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$6,406, \$5,884 and \$5,650, respectively, equal to the required contributions for each year.

(4) Capital Assets

A summary of capital assets at June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 307,147	-	-	307,147
Construction in progress	-	196,739	-	196,739
Total capital assets not being depreciated	307,147	196,739	-	503,886
Capital assets being depreciated:				
Land improvements	69,439	-	-	69,439
Buildings	90,089	-	-	90,089
Equipment	902,003	59,672	8,891	952,784
Total capital assets being depreciated	1,061,531	59,672	8,891	1,112,312
Less accumulated depreciation for:				
Land improvements	54,485	1,985	-	56,470
Buildings	53,189	4,258	-	57,447
Equipment	491,016	104,455	8,891	586,580
Total accumulated depreciation	598,690	110,698	8,891	700,497
Total capital assets being depreciated, net	462,841	(51,026)	-	411,815
Total capital assets, net	\$ 769,988	145,713	-	915,701

(5) Closure and Postclosure Care

To comply with federal and state regulations, the Association is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirements is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the

cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Page County Landfill Association have been estimated at \$357,684 for closure and \$1,199,550 for postclosure, for a total of \$1,557,234 as of June 30, 2004, and the portion of the liability that has been recognized is \$923,758. This liability represents the cumulative amount reported to date based on the use of approximately 59 percent of the capacity of the landfill with a remaining life of 8 years. A provision for the above liability has been made on the Association's Statement of Net Assets as of June 30, 2004. The Association has begun to accumulate resources to fund these costs and, at June 30, 2004, deposits of \$1,206,427 are held for these purposes. They are reported as restricted assets on the Statement of Net Assets.

(6) Solid Waste Tonnage Fees Retained

The Association has established an account for restricting and using solid waste tonnage fees retained by the Association in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2004, the unspent amounts retained by the Association and restricted for the required purposes totaled \$6,876.

(7) Risk Management

The Association is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Association assumes liability for any deductibles and claims in excess of coverage limitations.

(8) Recyclable Materials Processing Agreement

The Association entered into a recycling agreement with Midwest Recycling, Inc. (the Company). The Association maintains recycling containers within Page County and is responsible for transferring those materials received for recycling to a processing facility maintained by the Company. Midwest Recycling, Inc. has agreed to receive, process and market recyclable materials and to provide education programs on recycling to businesses in Page County. The agreement was for a period of one year beginning March 1, 1997, and is renewable annually. The Association pays the Company a flat rate of \$4,500 per month for these services.

(9) Accounting Change

For the year ended June 30, 2004, the Association implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these statements had no effect on the beginning balance of the Association.

Page County Landfill Association



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**Independent Auditor's Report on Compliance and
on Internal Control over Financial Reporting**

To the Members of the Page County Landfill Association:

We have audited the financial statements of the Page County Landfill Association as of and for the year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Page County Landfill Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance that is described in the accompanying Schedule of Findings.

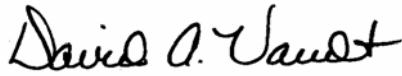
Comments involving statutory and other legal matters about the Association's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Page County Landfill Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Page County Landfill Association and other parties to whom the Association may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Page County Landfill Association during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 30, 2004

Page County Landfill Association

Schedule of Findings

Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting were noted.

Page County Landfill Association

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming the official depository has been adopted by the Page County Landfill Association. The maximum deposit amount stated in the resolution for Bank Iowa Shenandoah was exceeded during the year ended June 30, 2004.

Recommendation – A new resolution in an amount sufficient to cover anticipated balances at each official depository should be approved.

Response – A new resolution increased the maximum deposit amount for Bank Iowa Shenandoah.

Conclusion – Response accepted.

- (2) Questionable Expenses – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of Association money for travel expenses of spouses of Association officials or employees were noted.
- (4) Association Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not.
- (5) Deposits and Investments – Except as noted in item (1), no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Association's investment policy were noted.
- (6) Solid Waste Tonnage Fees Retainage – During the year ended June 30, 2004, the Association used or retained solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

Page County Landfill Association

Schedule of Findings

Year ended June 30, 2004

- (7) Financial Assurance – The Association has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

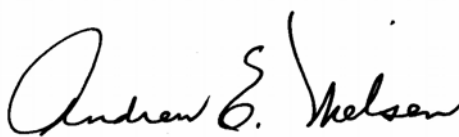
Total estimated costs for closure and postclosure care	\$ 1,557,234
Less: Balance of funds held in the local dedicated fund at June 30, 2003	<u>(1,078,669)</u> 478,565
Divided by the number of years remaining in the pay-in period	<u>÷ 4</u>
Required payment into the local dedicated fund for the year ended June 30, 2004	119,641
Balance of funds held in the local dedicated fund at June 30, 2003	<u>1,078,669</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2004	<u>\$ 1,198,310</u>
Amount Association has restricted for closure and postclosure care at June 30, 2004	<u>\$ 1,206,427</u>

Page County Landfill Association

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Shawn P. Limback, CPA, Staff Auditor
Amanda S. Guthrie, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State